

TEACHERS' RETIREMENT BOARD

INVESTMENT COMMITTEE

SUBJECT: Real Estate – Activity Status Report

ITEM NUMBER: 15

ATTACHMENT(S): 2

ACTION: _____

DATE OF MEETING: April 3, 2002

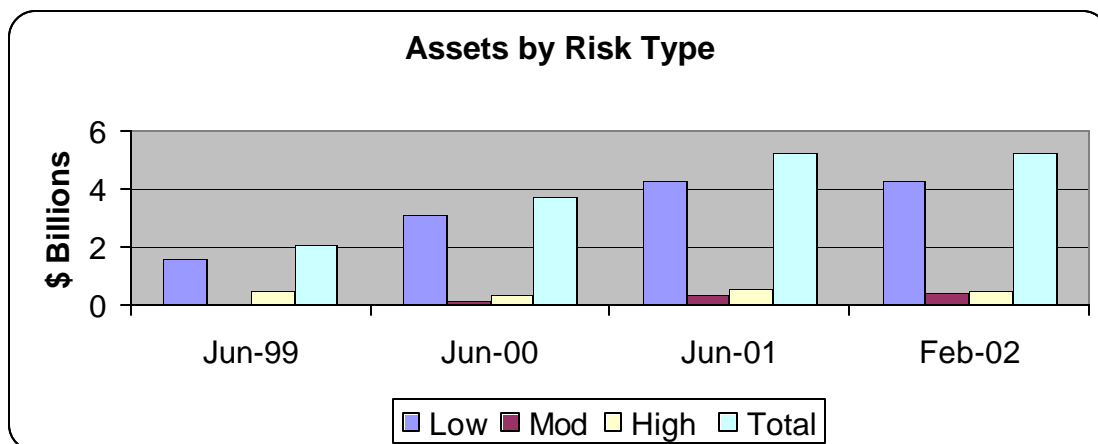
INFORMATION: X

PRESENTER(S): Mike DiRé/Michael Thompson

In accordance with the Investment Management Plan, CalSTRS has established an allocation for investment real estate to 7% of the total assets. The primary role of investment real estate is to improve diversification of the overall investment portfolio. Secondary objectives are to generate an enhanced yield to the actuarial plan rate assumption, and to provide stable cash flows. The real estate portfolio will incorporate a combination of low, moderate, and high risk real estate investment strategies to implement the approved plan.

The table and charts below show the growth of the overall real estate portfolio over the past four years.

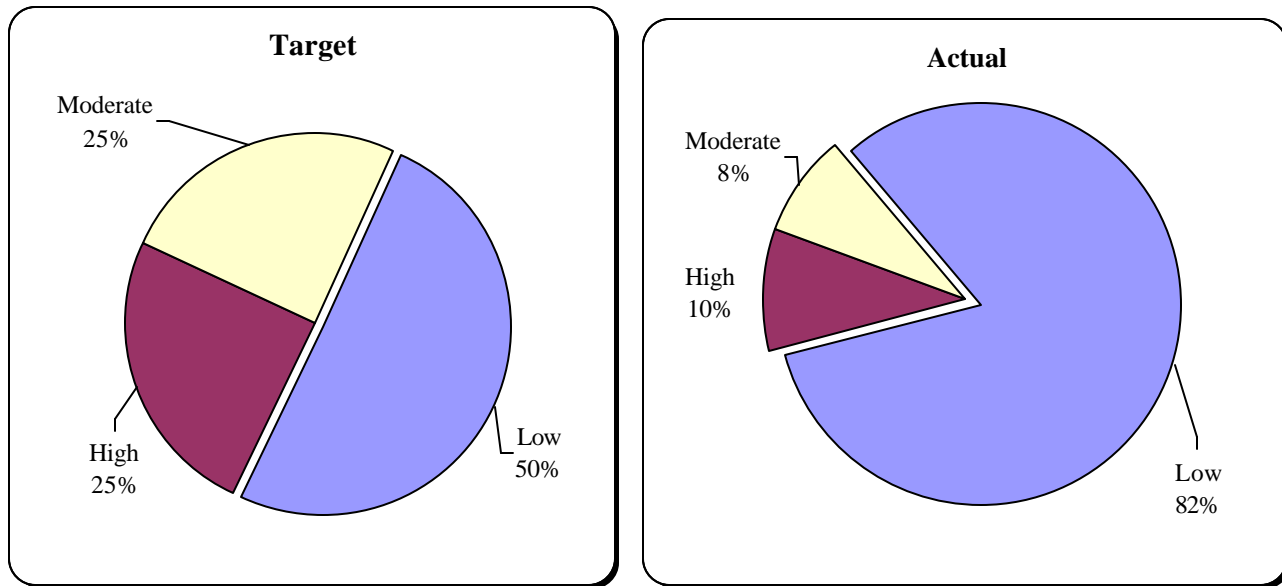
Growth of Real Estate Portfolio



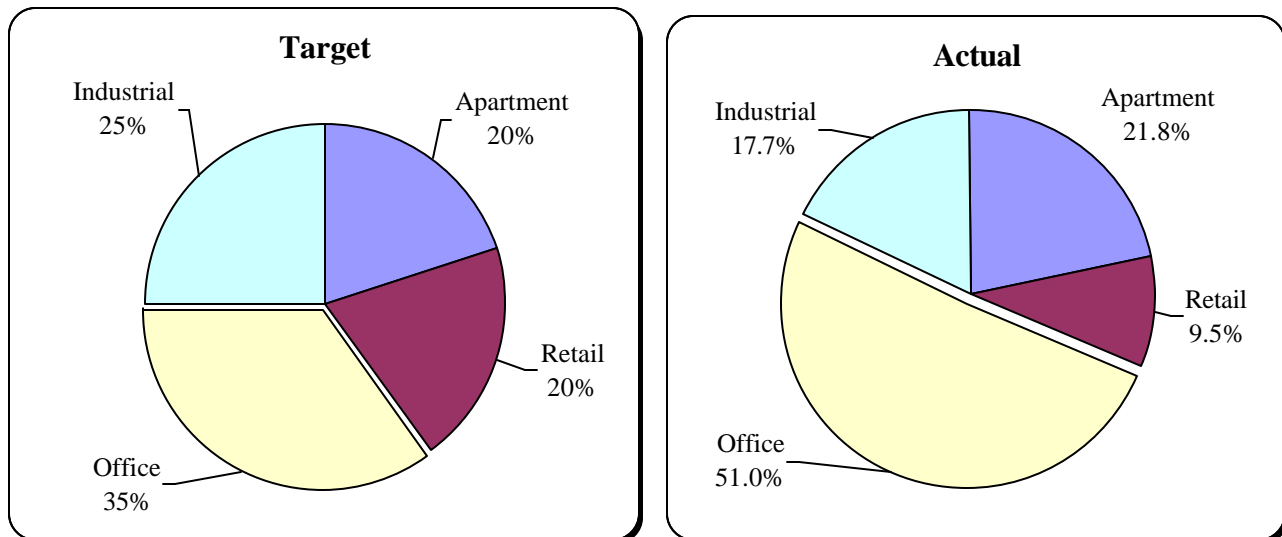
	Jun-99	Jun-00	Jun-01	Feb-02
Low	\$1,597	\$3,152	\$4,300	\$4,296
Mod	\$0	\$189	\$368	\$427
High	\$511	\$399	\$602	\$519
Total	\$2,108	\$3,740	\$5,270	\$5,242

Graph shown in billions, table shown in millions.

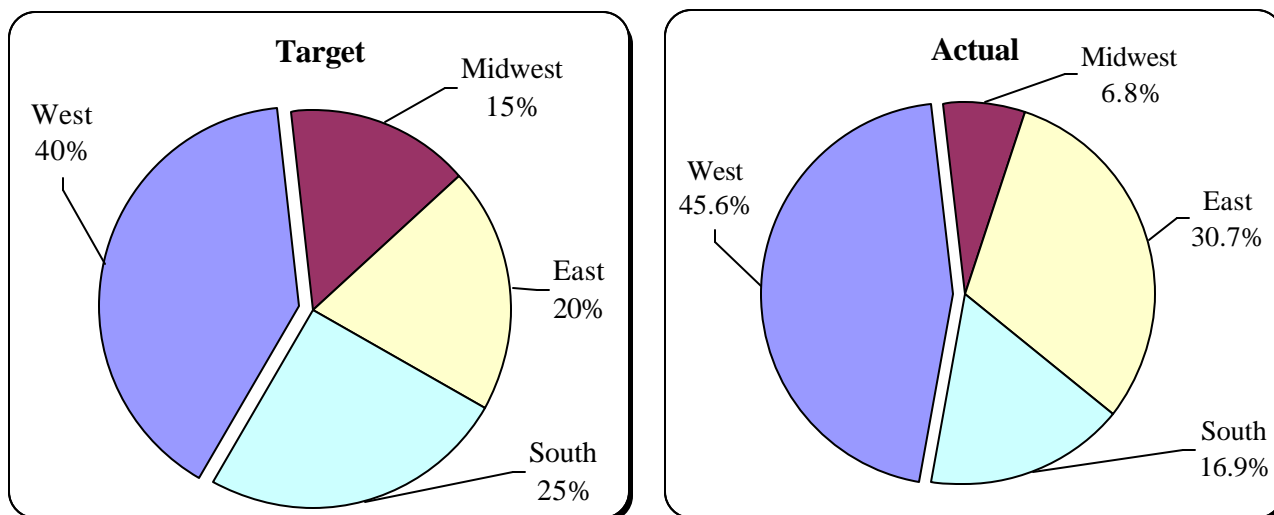
Targeted Risk Allocation Versus Actuals



The Low Risk portfolio is managed subject to diversification guidelines by product type and by regional area in the United States. The target allocation and the portfolio holdings as of February 2002 are shown below.



Low Risk Portfolio – By Region



Attachment 1 contains a summary of high risk opportunity fund commitments and capital accounts since inception. Attachment 2 identifies specific transactions closed during the prior month.

CalSTRS REAL ESTATE OPPORTUNITY FUND ACTIVITY STATUS REPORT
COMMITMENTS AND CAPITAL SUMMARY

As of February 28, 2002

Opportunity Fund	Date Fund Closed	Fund Size	STRS Commitment	Amount Funded by STRS	Unfunded Commitment	Since Inception	
						Returned Capital	Income Received
Colony II	Apr-95	\$625,000,000	\$150,000,000	#####	\$0	\$79,923,835	\$51,576,270
M.Stanley II	(1) Nov-95	1,051,000,000	200,000,000	#####	0	156,108,396	165,018,363
Lazard Freres	May-96	645,000,000	150,000,000	#####	0	55,437,571	35,634,648
Lazard Freres - Co-Investmei	May-96						
AAC/UDR	(2)	26,984,444	26,984,444	26,984,444	0	26,984,444	23,511,286
Dermody	(3)	19,841,270	19,841,270	19,841,270	0	0	6,752,916
William E. Simon & Sons	Jan-01	306,650,000	76,662,500	60,788,678	15,873,822	0	0
William E. Simon - Co-Investment							
SKS	(4) Jan-01	57,223,810	40,056,667	37,752,069	2,304,598	3,237,911	1,248,371
CIM Urban Real Estate Fund	Mar-01	178,947,369	45,000,000	2,444,490	42,555,511	1,541,976	0
Soros Real Estate Investors	Jul-01	1,000,000,000	75,000,000	27,759,377	47,240,623	0	0
M.Stanley IV	Dec-01	2,250,000,000	200,000,000	28,388,833	171,611,167	0	1,891,780
Lone Star IV	Dec-01	2,278,787,879	200,000,000	117,981	199,882,019	0	0
TOTALS			#####	#####	\$479,467,740	\$323,234,133	\$285,633,634

- (1) "Amount Funded by CalSTRS" amount includes reinvestment proceeds, per Partnership Agreement.
(2) CalSTRS co-investment is in American Apartment Communities/United Dominion Realty Trust, Inc.
(3) CalSTRS co-investment is in DP Operating Partnership Limited (Dermody).
(4) CalSTRS co-investment is in SKS, an office development platform in San Francisco.

CalSTRS DIRECT REAL ESTATE ACQUISITIONS and DISPOSITIONS

February 28, 2002

ACQUISITIONS

<u>Property</u>	<u>ADVISOR</u>	<u>TYPE</u>	<u>RISK</u>	<u>LOCATION</u>	<u>COMMITTED</u>	<u>AMOUNT FUNDED</u>	<u>DATE FUNDED</u>	<u>IRR</u>
SF Waterfront Partners, LLC	The McMahan Group (Independent Fiduciary)	JV - Office/Mixed	High	San Francisco (Urban)	\$12,700,000	\$ 1,015,348	October 24, 2001	14%+

Total Acquisitions

\$ 1,015,348

DISPOSITIONS

Pacific Northwest Group A (land parcel)	Lend Lease	Industrial	Low	Seattle		\$ 91,199	February 27, 2002	
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Total Dispositions

\$ 91,199

*Final, after fee IRR